

BUSINESS RULES FOR CLASSIFICATION OF BUSINESS ESTABLISHMENTS

1. PURPOSE

- a. This document provides Agency business rules for the classification of business establishments regulated and monitored by the Environmental Protection Agency (EPA) under authority of Federal environmental legislation. It relates to the use of (1) the North American Industry Classification System (NAICS) codes, developed by the U.S. Economic Classification Policy Committee (ECPC) in collaboration with Statistics Canada and Mexico's Instituto Nacional de Estadística, Geografía e Informática (INEGI), and (2) the Standard Industrial Classification (SIC) codes.
- b. The NAICS codes have been established as the new Federal standard and are adopted by the U.S. EPA for the purpose of the (1) collection, tabulation, presentation, and analysis of data relating to economic activity at establishments, and (2) promotion of uniformity and comparability in the presentation of statistical data describing the economy.
- c. There are standard data elements that will be used for the implementation of this standard. An overview of the standard data elements is provided in Appendix A. The standard data elements, their definitions, and their valid code sets are contained in the Environmental Protection Agency's (EPA) Environmental Data Registry (EDR) <http://epa.gov/edr>
- d. The business rules provide for the implementation of these standards and for the orderly transition from the use of SIC codes to the use of NAICS codes, where appropriate, for the classification of business establishments in EPA systems.

2. DEFINITIONS

- a. The *NAICS* is a classification of business establishments by economic activity. It was adopted by Canada, Mexico, and the United States on January 1, 1997, to replace the Standard Industrial Classification (SIC) code. The NAICS is intended to keep pace with the growth of new technologies and to be comprehensive with respect to economic activities in North America.
- b. The *SIC* is a classification of the economic activities of business establishments. It was developed in the 1930's by the Department of Commerce, Bureau of the Census. The SIC code has been used to compare and contrast establishment data describing various facets of the U.S. economy. The classification defined industries in accordance with the composition and

structure of the economy. It was last revised in 1987, and the Bureau of Census does not plan to revise or reprint the standard.

c. A *business establishment*, as defined by both SIC and NAICS, is an economic unit, generally at a single, physical location where business is conducted or where services or industrial operations are performed. Although both classification systems have this same definition for an establishment, the SIC and NAICS classifications for a particular establishment are not necessarily the same. For the purpose of these business rules, business establishments are considered to be equivalent to *facilities*, i.e., regulated entities defined in various EPA statutes and regulations.

d. *Classification* is the assignment of an object to a group within a system of categories that are distinguished by common characteristics.

e. *Data Standard Steward For Business Classification* is the person accountable for the maintenance of the SIC/NAICS codes for the use of the Agency.

f. A *Programmatic Data Steward* serves as an operational data steward with responsibility for the accuracy and quality of the actual data within agency information systems.

g. The EPA *Environmental Data Registry* (EDR) is the central repository and reference tool for Agency data elements and other objects, such as business rules.

3. APPLICABILITY

a. The NAICS standard will be adopted for the classification of economic activities for all business establishments of interest to EPA. During the transition period the SIC code standard is also applicable.

b. Where SIC codes are currently being stored in the thirteen national program systems identified by the Reinventing Environmental Information (REI) program as systems for implementation of REI data standards, the NAICS standard will be incorporated.

c. Other Agency systems, where there is (1) a programmatic need for classification of economic activities or (2) there is a strong need for their economic classification data to be made available to parties outside the collecting offices, will also adopt the NAICS standard. During the transition period the SIC code standard is also applicable.

d. The NAICS and SIC standards apply to both automated and manual information collections.

e. These business rules are not intended to require reclassification of SIC codes to NAICS codes for data collected in the past.

f. These business rules are not intended to require the collection of NAICS codes where programmatic needs do not require such classification.

4. PROCESSING

a. A direct one-to-one relationship across the NAICS and SIC codes does not exist for all codes; therefore, direct conversion of SIC codes to NAICS codes is not universally feasible. In many cases it will be necessary to obtain the appropriate NAICS codes applicable to a business establishment through modifications to collection forms or independent research and analysis.

b. All information systems that collect or have collected SIC codes shall provide the capability for continued use of those codes while the EPA program that collected the data retains interest in those business establishments for the time period of such collection.

c. All EPA programs and EPA information systems that currently collect SIC codes and that collect multiple records for the same establishment over time will provide for the transition to NAICS codes. The transition will include planning for modifying collection forms and data systems to accommodate both SIC and NAICS codes for a transition period of a minimum of three years. The transition period will begin immediately on the date these business rules are enacted or when the necessary regulatory changes have been made to allow the collection of NAICS data.

d. Economic activities at business establishments might be appropriately classified by more than one NAICS code. Business establishments, wherever possible and appropriate, will be classified by more than one NAICS code, to more completely describe other economic activities at those business establishments.

5. ROLES AND RESPONSIBILITIES

a. The Chief Information Officer will:

- (1) Ensure adherence to these business rules and will be responsible for the resolution of conflicts and issues relating to these business rules, including applicability.
- (2) Provide guidance and technical assistance to program offices and the regulated community in meeting the requirements of this standard.
- (3) Ensure the appointment of a Data Standard Steward for Business Classification, distinct from Programmatic Data Stewards. The Data Standard Steward will be responsible for the accuracy, reliability and currency of the data standard.
- (4) Ensure public availability of tools for determining the proper codes.
- (5) Maintain a repository of the codes in the Environmental Data Registry.
- (6) Be responsible for issuing waivers from compliance with this standard in accordance with the procedures laid out in Section 7 of these business rules.

b. Senior Information Resources Management Officers (SIRMOs) and Regional Information Resource Management (IRM) Branch Chiefs will:

- (1) Promote compliance with this standard.
- (2) Approve application for waiver from this standard and submit it to the Chief Information Officer.

c. National System Program Managers responsible for the REI-designated national program systems will:

- (1) Ensure that this standard is implemented as applicable in their systems.
- (2) Work collaboratively with the Chief Information Officer (CIO) on continuing standards development and implementation.

(3) Identify and bring forward potential conflicts between these business rules, the underlying standards, and program systems needs.

(4) Appoint or serve as Programmatic Data Steward when applicable

6. IMPLEMENTATION

a. Agency support functions will be developed, including guidance, accessible data values, and appropriate tools to facilitate translation from one code set to another by the fourth quarter of FY99. Maintenance of the support functions will be ongoing.

b. Procedures for implementation of this standard within each EPA national program will be developed and in place by the fourth quarter of FY99, including identification of the need for changes to systems, regulations, contracts, guidance documents, and others.

c. Changes to systems, regulations, policies, guidance documents, contracts, and others will begin as soon as feasible and no later than the second quarter of FY99 and be completed in the fourth quarter FY01 (*see Acting Deputy Administrator's memo on Sector Identification in Rules, Policies, Program Guidance and Interpretive Guidance, and Site-Specific Determinations*, dated October 9, 1998).

d. EPA's national systems will implement the NAICS standard, i.e., accepting new data in the standard NAICS formats from all participating States and reporting economic classifications with NAICS codes, no later than the fourth quarter FY02.

7. PROVISION FOR WAIVER

a. The Agency's Chief Information Officer (CIO) may grant waivers for sufficient reasons.

b. Applications of a waiver shall contain:

(1) An outline of the reasons why the data standard should not be implemented.

(2) A risk assessment and cost-effectiveness evaluation of continued non-compliant operation.

(3) Approval of the decision officials in the requesting office, as defined by EPA's System Lifecycle management policy and by the organizations's Senior Information Resources Management Official (SIRMO).

c. The CIO shall notify the applying office in writing of the disposition of the waiver within 60 days of receipt.

8. MAINTENANCE

a. The standard and these business rules shall be reviewed annually by the Data Standard Steward for Business Classification and updates scheduled, as necessary.

b. The Data Standard Steward for Business Classification shall submit updates to the Environmental Data Registry.

9. REFERENCES

a. North American Industry Classification System, U.S. Census Bureau,
<http://www.census.gov/epcd/www/naics.html>

b. North American Industry Classification System (NAICS) - United States, 1997, official U.S. Government NAICS Manual, June 1, 1998, U.S. Department of Commerce, National Technical Information Service,
<http://www.ntis.gov/products/bestsellers/naics.asp?loc=4-2-0>

c. Standard Industrial Classification (SIC) Codes, FIPS PUB 66 dated August 15, 1979, Change Notice 1 of January 25, 1993, and Change Notice #2, dated October 15, 1997.
<http://www.nist.gov/itl/div897/pubs/fp66cg-2.htm>

d. *1997 North American Industry Classification System*, Office of Management and Budget, Executive Office of the President, Federal Register (62 FR 17288-17478), dated April 9, 1997.

e. *Reinventing Environmental Information (REI) Action Plan*, U.S. Environmental Protection Agency dated February 4, 1998.
http://www.epa.gov/reinvent/onestop/acplan/ac_text.htm

f. *Sector Identification in Rules, Policy, and Guidance*, memorandum by Fred Hansen dated September 9, 1998.